Translation

Outline of 1st Quarter Financial Results for Fiscal Year 2019

April 1, 2019 – June 30, 2019

Aug 8, 2019
JGC CORPORATION

My name is Taguchi, General Manager of the Finance and Accounting Department.

I am going to give you an outline of the first quarter financial results for Fiscal year 2019 which ends in March, 2020.

Contents

1. Highlights of Fiscal Year 2019 1Q

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- The progress of net sales is slightly lower than the forecasts for Fiscal Year 2019. However, this is a good start overall with the gross profit ratio within expectations.
- No change in our forecast for new contracts as most of the major new contracts are expected to be awarded in the second half of the year.

I will start with the highlights for the first quarter.

While the achievement rate of the net sales was slightly low, profitability was within expectations, which provides a smooth start to the fiscal year.

The forecast for the new orders remain unchanged on the view that client decisions on major large-scale projects are expected to be made in the latter half of the fiscal year.

2. Income and Comprehensive Income

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【Unit: Billions of Yen】

	FY2018 1Q	FY2019 1Q	Difference	Forecast FY 2019
Net sales	146.1	**107.4**	△ 38.7	500.0
Gross profit	10.9	**8.2**	△ 2.7	40.0
Profit ratio	7.5%	**7.7%**	+0.2pt	8.0%
Operating income	5.5	**2.8**	△ 2.7	19.0
Ordinary income	8.6	**5.3**	△ 3.2	26.0
Profit attributable to owners of the parent	2.6	**2.1**	△ 0.5	10.0
Profit	2.7	**2.1**	△ 0.5	
Other comprehensive income	△ 2.6	**△ 3.6**	△ 0.9	
Comprehensive income	0.0	**△ 1.4**	△ 1.4	

We move to the Statement of Income and the Statement of Comprehensive Income.

Net sales and profits for this first quarter were lower than the results for the corresponding quarter of the last year, and showed a slightly slow start to the year.

The reasons for the above are ascribed to lower new orders in general engineering segment until the first half of the last year and completion of some large-scale LNG projects.

The profit ratio was 7.7%, which is almost in line with our annual forecast, and generally showed good results.

The net sales for the first quarter decreased by 38.7 billion yen to 107.4 billion yen compared to the same quarter of the previous fiscal year.

Meanwhile, profits were down by 2.7 billion yen to 8.2 billion yen, and operating income fell by 2.7 billion yen to 2.8 billion yen.

Foreign exchange losses were 0.7 billion yen and ordinary income decreased by

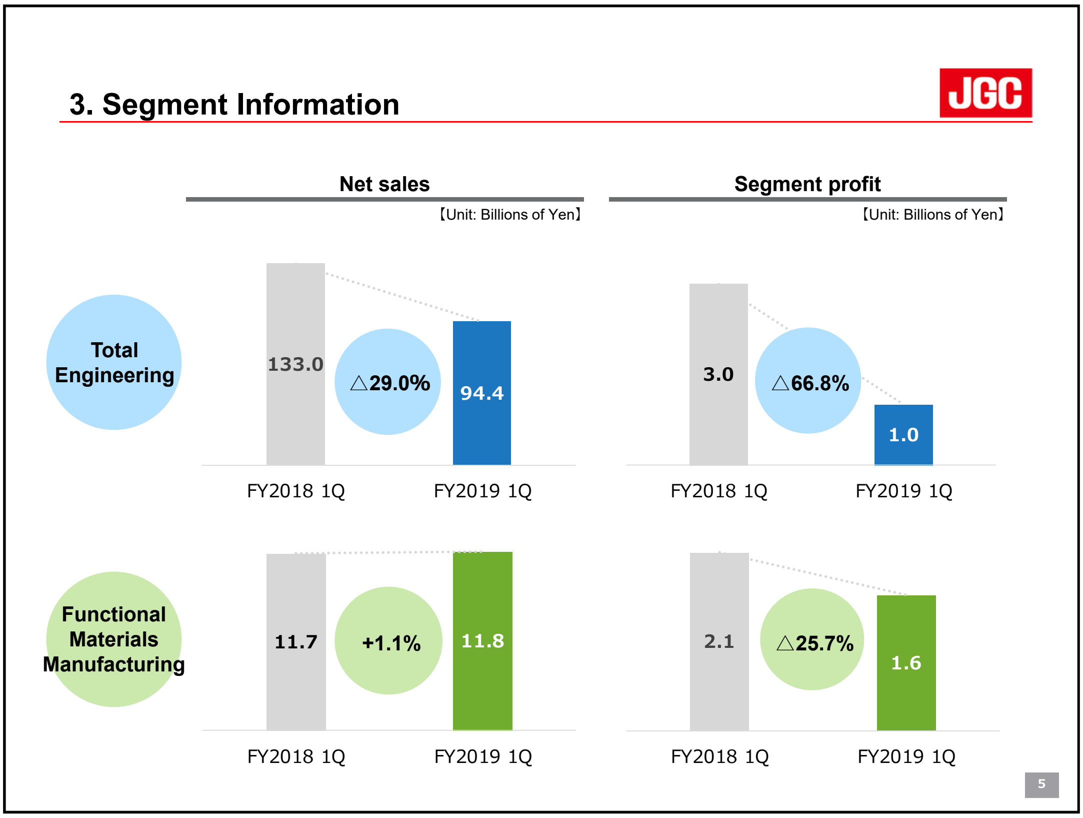
3.2 billion yen to 5.3 billion yen, and quarterly profits attributable to the owners of the parent were 2.1 billion yen.

Up to last fiscal year dividends from consolidated subsidiaries brought higher effective tax rate in the first quarter. However, consolidated tax returns adopted from this fiscal year brought the effective tax rate of 60%, which is almost in line with the annual forecast rate. It is 10% lower than the one at the same quarter of the previous fiscal year.

The achievement rate against the forecast for the fiscal year are 21.5% for sales and 15.2% for operating income.

The reason for the above is that the progress of large-scale projects such as the LNG Canada project are anticipated to rise in the latter half of the fiscal year.

The breakdown of other comprehensive income of 3.6 billion yen is 0.6 billion yen in revaluation on available-for-sale securities and 2.9 billion yen in foreign currency translation adjustment.



Next is segment information.

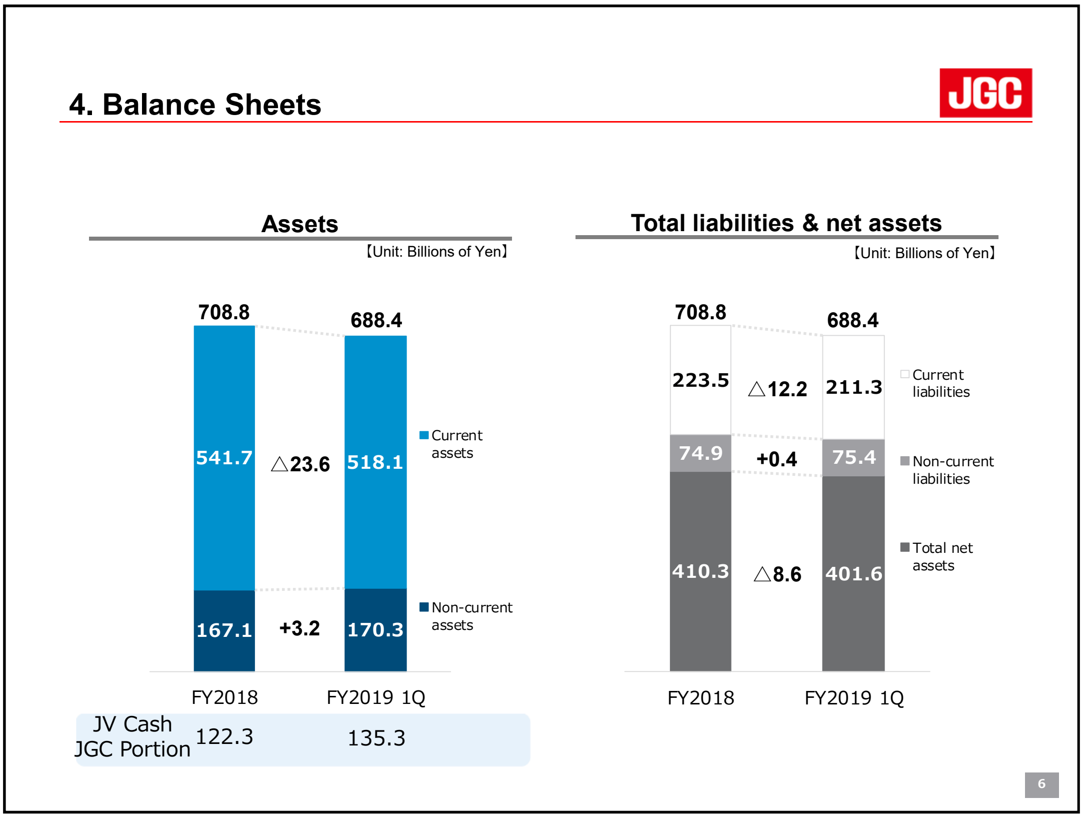
With the completion of the large-scale projects including the Ichthys LNG project and the Yamal LNG project, the sales for the total engineering segment showed a decline of 29% from the same quarter of the previous fiscal year to 94.4 billion yen.

Segment profit showed a marked decline to 1 billion yen.

It was brought by lower achievement rate in net sales and gross profit, and selling, general and administrative expenses were incurred by almost one quarter of the forecast for the fiscal year.

At 11.8 billion yen, The net sales for the Functional Materials Manufacturing segment remained at about the same level of 11.8 billion yen compared to the first quarter of the previous fiscal year while profits for the segment fell by 25.7% to 1.6 billion yen.

While sales of petroleum refining catalysts and chemical catalysts remained strong, sales of fine products including hard disc abrasives and functional paints, which have higher margin ratio, declined due to factors such as U.S./China trade friction and a decline in exports to China. It has bought lower profit ratio in the segment.



The next topic deals with the consolidated balance sheets.

The figure for total assets was 688.4 billion yen, which is 20.4 billion yen lower than the one at the end of the previous fiscal year.

On the asset side, current assets fell by 23.6 billion yen. This resulted mainly from the reduction of accounts receivables by 73.1 billion yen through payments received for Algerian and other projects offset by an increase of 50.4 billion yen in cash and deposits.

For reference, the JGC portion of JV cash, which is not shown in the balance sheet, was 135.3 billion yen as of the end of June.

On the liabilities and net assets side, current liabilities show a decrease of 12.2 billion yen. This is principally due to a reduction in accounts payable for construction work.

The decrease of 8.6 billion yen in net assets is accounted for by 7.1 billion yen for the payment of dividends and 2.9 billion yen for foreign currency translation adjustment.

The Shareholders Equity Ratio was 58%.

5. Outline of Contracts

ⅰ）New Contracts

【Unit: Billions of Yen】

	FY2019 1Q	FY2019 Forecast
Overseas	11.6	650.0
Domestic	39.8	150.0
Total	51.4	800.0

The next topic deals with new orders.

As of the end of the first quarter, the value of orders received was 51.4 billion yen, attributable mainly to domestic orders related to pharmaceutical and chemicals.

Although it represented only a relatively small order in terms of amount, the receipt of an order to carry out basic engineering work for an LNG plant for maritime fuel in Oman signifies our expansion into the new field of medium-scale LNG plants.

The forecast for the full year remains 800 billion yen, on the view that the final decisions on major large-scale projects are expected in the latter half of the fiscal year.

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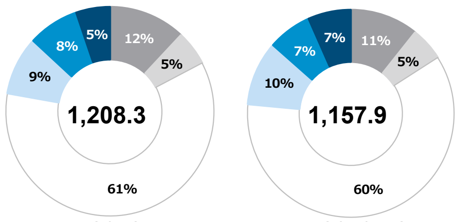
ii）Outstanding Contracts

By Business Area

【Unit: Billions of Yen】

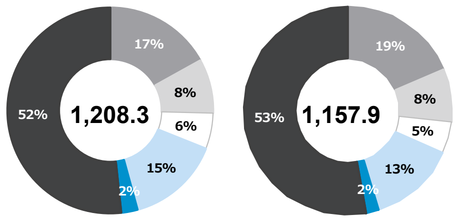


FY2018 FY2019 1Q

	FY2018	FY2019 1Q
Oil & Gas development	144.5	**123.9**
Petroleum refining	64.8	**60.2**
LNG	730.8	**701.0**
Chemical	109.1	**115.9**
Power generation, nuclear power and new energy	95.7	**79.5**
Others	63.2	**77.0**

By Region

【Unit: Billions of Yen】



FY2018 FY2019 1Q

	FY2018	FY2019 1Q
Japan	204.4	**214.5**
South East Asia	102.6	**94.7**
Middle East	68.1	**57.7**
Africa	177.5	**155.8**
Oceania	31.2	**24.6**
North America & Others	624.2	**610.3**

FY2019 1Q Major Contracts	Over 100 Billion Yen	Over 50 Billion Yen	Over 30 Billion Yen
	LNG（Canada）	FLNG（Mozambique）	Chemicals (Thailand) Gas Booster（Algeria）

Next, we will look at outstanding contracts.

The value of orders received as of the end of June was 1,157.9 billion yen.

By business area, LNG-related orders accounted for 60% of this figure. By region, 53% was in the area defined as North America and others.

The principal contracts in terms of value were LNG Canada, Mozambique FLNG, the Thai chemical plant and the Algeria booster project. This situation is almost unchanged from the end of the previous reporting period.

6. Forecasts for Fiscal Year 2019

【Unit: Billions of Yen】

	Forecast
New contract	800.0
Net Sales	500.0
Gross Profit	40.0
Profit ratio	8.0%
Operating income	19.0
Ordinary income	26.0
Income attributable to owners of the parent	10.0
Annual dividend per share	¥12.00
Forecasts based on (¥/US$)	¥110.00

Regarding the outlook for the fiscal year, there is no change from the previous forecast.

For the engineering business in general, from the second half of the year the contribution of income from the LNG Canada project has been included.

Elements which have not been included in the forecast include the potential downside risk posed by the effect of the political unrest in Algeria on the progress of work there, as well as the progress of a project in the Middle East which is close to completion. Contrasted with the above is the expectations for improved profitability as a result of steady performance. We will continue to keep a cautious eye on both of these.

For the Functional Materials Manufacturing segment, there is concern regarding the possible negative effect on exports to China as a result of the U.S./China trade friction. However, we plan to overcome this handicap through applying efforts toward the increased overseas sales of petroleum refining catalysts, the expanded sales of chemical catalysts and the sales of new abrasive materials and expanding our range and sales of functional coating materials.

The exchange rate used for forming this forecast was 110 yen to the U.S. dollar.

For the purposes of reference only, we assess a change of 1 yen in the exchange rate affect sales figures by 2.5 billion yen, gross profit by 200 million yen, and ordinary profit by 300 million yen.

This concludes our explanation of the Financial Results for the First Quarter of Fiscal Year 2019.

Appendix

Reference（Net sales & New Contracts by Region）

Net sales

【Unit: Billions of Yen】

	FY2018 1Q		FY2019 1Q	
Japan	42.0	(28.7%)	**37.1**	(34.6%)
South East Asia	11.5	(7.9%)	**15.7**	(14.6%)
Oceania	25.2	(17.3%)	**4.3**	(4.1%)
Africa	25.8	(17.7%)	**20.2**	(18.8%)
Middle East	22.8	(15.6%)	**12.2**	(11.4%)
Europe & CIS	11.6	(8.0%)	**0.9**	(0.9%)
North America & Others	7.0	(4.8%)	**16.7**	(15.6%)
Total	146.1	(100.0%)	**107.4**	(100.0%)

New Contracts

【Unit: Billions of Yen】

	FY2018 1Q		FY2019 1Q	
Japan	25.9	(32.5%)	**39.8**	(77.4%)
South East Asia	16.4	(20.6%)	**7.2**	(14.2%)
Oceania	10.5	(13.2%)	**0.4**	(0.9%)
Africa	1.9	(2.5%)	**0.3**	(0.7%)
Middle East	0.4	(0.6%)	**2.2**	(4.3%)
Europe & CIS	21.9	(27.5%)	**0.3**	(0.6%)
North America & Others	2.5	(3.1%)	**0.9**	(1.9%)
Total	79.7	(100.0%)	**51.4**	(100.0%)

Reference（Historical data chart）

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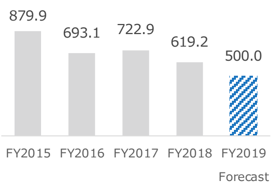
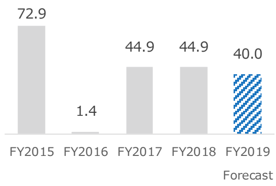
【Unit: Billions of Yen】

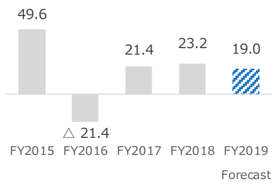
Net sales



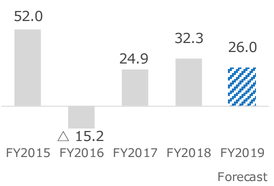
Gross profit



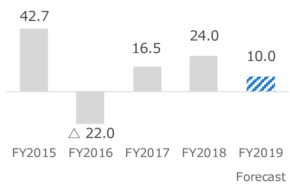
Operating income



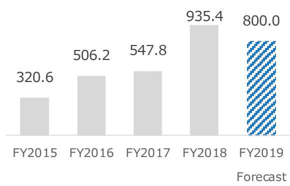
Ordinary income



Profit attributable to owners of the parent



New Contracts



Cautionary Statement

This presentation may contain forward-looking statements that reflect JGC’s plans and expectations.

Such statements are based on currently available information and current assumptions of future events which may not prove to be accurate. Such statements are also subject to various risks and uncertainties that could cause actual results to differ materially from those forward-looking statements.

JGC Corporation undertakes no obligation to update any forward-looking statements after the date of this presentation. These potential risks and uncertainties include, but are not limited to:
•changes in general economic conditions, including foreign currency exchange rates, interest rates and other factors that could affect our profitability
•changes in government regulations or tax laws in jurisdictions where we conduct business

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